

Message Text

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PAGE 01 BELGRA 06914 122026Z
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C O N F I D E N T I A L BELGRADE 6914

E.O. 11652: GDS
TAGS: ECIN, YO
SUBJECT: JOINT VENTURE DEVELOPMENTS IN YUGOSLAVIA

BEGIN SUMMARY: NEW JOINT VENTURE LAW IN 7TH DRAFT. TWO
NEW U.S. JOINT VENTURES ARE BEING INITIATED. FEDERAL
GOVERNMENT BELIEVES TOO MANY CONCESSIONS WERE GIVEN TO
DOW IN DINA JOINT VENTURE. END SUMMARY.

1.ON OCTOBER 6 EMBOFFS SPOKE WITH A BELGRADE BASED
OFFICIAL OF THE INTERNATIONAL INVESTMENT CORPORATION FOR
YUGOSLAVIA (IICY) REGARDING JOINT VENTURES IN YUGOSLAVIA.
THE FOLLOWING ITEMS/COMMENTS WERE OF PARTICULAR INTEREST.

2. NEW HOINT VENTURE LAW-DRAFTING OF A NEW LAW, WHICH
BEGAN OVER TWO YEARS AGO, CONTINUES. THE FEDERAL COMMITTEE
FOR ENERGY AND INDUSTRY IS HEAVILY INVOLVED IN PREPARATION
OF THE NEW LAW. A DRAFT CONSIDERED BY A COMMISSION OF THE
FEDERAL ASSEMBLY IN SEPTEMBER WAS RETURNED, REPORTEDLY
BECAUSE IT WAS TOO UNFAVORABLE TO FOREIGN INVESTMENT,
AND THE NEW LAW IS NOW IN THE SEVENTH DRAFT. AN EARLIER
MAY DRAFT WAS RETURNED FOR JUST THE OPPOSITE REASON.

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PAGE 02 BELGRA 06914 122026Z

YUGOSLAV OFFICIALS CONTINUE TO SAY THERE WILL BE A NEW
LAW BY THE END OF THE YEAR.

3. NEW U.S. JOINT VENTURES-HARBISON WALKER REFRACTORIES, A
DIVISION OF DRESSER INDUSTRIES, PITTSBURGH, PENNSYLVANIA HAS
SIGNED A JOINT VENTURE AGREEMENT WITH MAGNOHRUM, A FIRM LOCATED
IN KRLJEVO, SERBIA, WHICH RUNS A MINE AND PRODUCES

REFRACTORY MATERIALS AND ELECTRO-THERMAL PRODUCTS. THE JOINT VENTURE FACILITY WILL BE LOCATED IN BAR, MONTENEGRO, AND WILL PRODUCE "SINTER MAGNEZIT" (MAGNESIUM SILICATE) FROM SEA WATER. A POLISH FIRM, WHICH WILL BUY THE BULK OF THE PRODUCTION, WILL ALSO PARTICIPATE IN THE JOINT VENTURE. THE POLISH GOVERNMENT HAS NOT YET DECIDED WHICH POLISH ENTERPRISE WILL PARTICIPATE. A YUGOSLAV DELEGATION WAS IN POLAND WEEK OF OCT 3 TO NEGOTIATE FURTHER WITH THE POLES AND TO SEEK POLISH DESIGNATION OF THE POLISH PARTNER.

4. CELOTEX CORP. (JIM WALTER CORP.) OF TAMPA, FLORIDA, AND SUMSTVO GAZDINSTVA "MORAVA", A FORESTRY/FARMING FIRM LOCATED IN SVETOZAREVO IN SERBIA, HAVE RECENTLY BEGUN A JOINT VENTURE AGREEMENT WITH FORMAL REGISTRATION EXPECTED IN THE NEXT TWO WEEKS. THE JOINT VENTURE WILL PRODUCE FIBERBOARD. REPORTEDLY, THE JOINT VENTURE AGREEMENT IN ADDITION TO CONTAINING THE NORMAL EXPORT REQUIREMENT CLAUSE (TO OBTAIN NEEDED FOREIGN EXCHANGE FOR REPATRIATION OF PROFITS, ETC.) CONTAINS A PENALTY PROVISION IF THE U.S. PARTNER DOES NOT EXPORT THE REQUIRED AMOUNT.

5. DOW/INA-THE FEDERAL GOVERNMENT BELIEVES DOW WAS GRANTED EXCESSIVE CONCESSIONS IN THE DINA JOINT VENTURE, CONSIDERS THIS VENTURE A ONE TIME EXCEPTION AND INTENDS TO PURSUE A HARDER LINE IN FUTURE JOINT
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PAGE 03 BELGRA 06914 122026Z

VENTURE NEGOTIATIONS. ON THIS SAME MATTER, A DOW REPRESENTATIVE RECENTLY EXPRESSED CONCERN TO EMBASSY OFFICERS THAT THE CORATIAN REPUBLIC GOVERNMENT MAY HAVE OVEREXTENDED ITSELF IN THE DINA NEGOTIATIONS BY GRANTING CONCESSIONS WHICH MIGHT NOT BE ABLE TO BE DELIVERED IN THE LONG RUN SINCE THEY REQUIRED FEDERAL APPROVAL AND/OR COOPERATION, WHICH MIGHT NOT ALWAYS BE FORTH-COMING.

6. ILLUSTRATIVE OF THE YUGOSLAV SENSITIVITY ON JOINT VENTURE MATTERS IS THE UNWILLINGNESS ON THE PART OF THE FEDERAL COMMITTEE ON ENERGY AND INDUSTRY TO PROVIDE A SIMPLE LIST OF FOREIGN JOINT VENTURES IN YUGOSLAVIA; MUCH LESS ANY DESCRIPTIVE DETAILS OR FINANCIAL INFORMATION.
EAGLEBURGER

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